

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name STRONACH	County MANISTEE
Audit Date 6/30/05	Opinion Date 8/16/05	Date Accountant Report Submitted to State: 12/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) WILSON, WARD CPA FIRM			
Street Address PO BOX 205	City INTERLOCHEN	State MI	ZIP 49643
Accountant Signature <i>Wilson Ward CPA Firm</i>		Date <i>12/30/05</i>	

STRONACH TOWNSHIP
MANISTEE COUNTY, MICHIGAN

Audit Report
For the Year Ended June 30, 2005

Wilson, Ward CPA Firm
P.O. Box 205
Interlochen MI 49643
(231) 276-7668

STRONACH TOWNSHIP
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WILSON, WARD CPA FIRM

P.O. Box 205
3015 M-137
Interlochen, MI 49643

(231) 276-7668

Fax: (231) 276-7687

E-mail: wilson@wilsonward.com

August 16, 2005

Township Supervisor
Stronach Township
Stronach, MI

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Stronach Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Stronach Township are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Stronach Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Stronach Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

Comment:

The Clerk relies on the Treasurer reports for accounting purposes.

Recommendation:

The Clerk is required to maintain the accounting records. The clerk is implementing a computerized accounting system at the time of field work.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the opportunity to perform your audit.

Sincerely,

A handwritten signature in black ink that reads "Wilson Ward CPA Firm". The signature is written in a cursive, flowing style.

Wilson, Ward CPA Firm

INTRODUCTORY SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Stronach Township Board
Stronach, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stronach Township, Manistee County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Stronach Township's basic financial statements and have issued our report thereon dated August 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stronach Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stronach Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters that we reported to management of Stronach Township in a separate letter dated August 16, 2005.

This report is intended solely for the information and use of the audit committee, management, township board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Ward CPA Firm

Interlochen, MI
August 16, 2005

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Stronach Township Board
Stronach, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Stronach Township, Manistee County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Stronach Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Stronach Township as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2005, on our consideration of the Stronach Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stronach Township's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wilson Ward CPA Firm

Interlochen, MI
August 16, 2005

STRONACH TOWNSHIP
MANISTEE COUNTY
Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets decreased 18% from a year ago - decreasing from \$958,158 to \$788,766 mainly due to a large road project.

This year was the first year for the implementation of GASB 34 with the resulting changes in the financial position as reflected on the Governmental Funds Balance Sheet, Statement of Net Assets.

The Township's Funds

Our analysis of the Township's major funds following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred to the General Fund is supported by a detailed calculation of the current year costs of the specific capital outlay approved by the Township Board.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets

Capital Asset and Debt Administration:

As of March 31, 2005, the Township had \$812,819 invested in a broad range of capital assets, including land, buildings and equipment. In addition, the Township has invested significantly in major and local roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law which makes these roads the property of the County Road Commission (along with the responsibility to maintain them).

Economic Factors and Next Year's Budgets and Rates:

Stronach Township's 2004-2005 general fund budget calls for the allocated millage of 1.500. Stronach Township also has a voted millage for Fire Protection services in the amount of 0.500, and a Waste Collection millage of 0.5000. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

General Overview of the Accomplishments of Stronach Township in the 2004-2005 Fiscal Year:

Stronach township has managed to maintain general budget constraints and guidelines given light that the State of Michigan has reduced the annual revenue sharing allocations.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the treasurer at (231) 378-2616.

STRONACH TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, investments and cash equivalents	\$365,140	\$0	\$365,140
Receivables (net)	0	0	0
Prepaid Expenditures	0		0
Internal balances	0	0	0
Inventories			0
Capital Assets, net (Note 9)	423,625	0	423,625
Total Assets	788,766	0	788,766
LIABILITIES			
Accounts payable	770	0	770
Deferred revenue	0	0	0
Due to Other Agencies	0	0	0
Noncurrent liabilities (Note 2):			0
Due within one year	0	0	0
Due in more than one year	0	0	0
Total Liabilities	770	0	770
NET ASSETS			
Invested in capital assets, net of related debt	423,625		423,625
Restricted for:			
Capital projects			0
Debt Service		0	0
Unrestricted (deficit)	364,369	0	364,369
Total Net Assets	787,995	0	787,995
Total Liabilities and Net Assets	\$788,766	\$0	\$788,766

STRONACH TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Primary Governmental Activities Business-type Activities	Total
Primary government						
Governmental activities:						
Legislative	\$100,380	\$0			(\$100,380)	(\$100,380)
General government	100,333	0			(100,333)	(100,333)
Public safety	92,250	10,736			(81,514)	(81,514)
Public works	261,644	1,461			(260,183)	(260,183)
Health and Welfare	0				0	0
Community and Economic Development	0				0	0
Recreation and Culture	15,826				(15,826)	(15,826)
Other	5,588				(5,588)	(5,588)
Interest on Long Term Debt	0				0	0
Total Governmental Activities	576,021	12,197	0	0	(563,824)	(563,824)
Business Type Activities						
Enterprise Funds	0	0			0	0
Total Primary Government	576,021	12,197	0	0	(563,824)	(563,824)

General revenues:

Taxes					
Property Taxes-general	105,735	0			105,735
Property Taxes-debt service	0				0
State-Shared Revenues	54,887				54,887
Unrestricted Investment Earnings	21,968	0			21,968
Franchise taxes	194,093				194,093
Contributions	0				0
Miscellaneous	17,749	0			17,749
Interest	0				0
Total General Revenues-Special Items and Transfers	394,432	0			394,432
Changes in Net Assets	(169,392)	0			(169,392)
Net Assets - Beginning	958,158	0			958,158
Net Assets - Ending	\$788,766	\$0			\$788,766

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STRONACH TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Other Non-major Funds	Total
ASSETS			
Cash, investments and cash equivalents	\$307,113	\$58,027	\$365,140
Receivables (net)	0	0	0
Prepaid Expenditures	0		0
Internal balances	0	0	0
Inventories			0
Capital Assets, net (Note 1)			0
Total Assets	<u>307,113</u>	<u>58,027</u>	<u>365,140</u>
LIABILITIES			
Accounts payable	771	(1)	770
Internal balances	0		
Accrued payables	0		
Deferred revenue	0	0	0
Noncurrent liabilities (Note 2):			0
Due within one year			0
Due in more than one year			0
Total Liabilities	<u>771</u>	<u>(1)</u>	<u>770</u>
NET ASSETS			
Invested in capital assets, net of related debt			
Restricted for:			
Capital projects			0
Debt Service			0
Unrestricted (deficit)	<u>306,341</u>	<u>58,028</u>	<u>364,369</u>
Total Net Assets	<u>306,341</u>	<u>58,028</u>	<u>364,369</u>
Total Liabilities and Net Assets	<u>\$307,113</u>	<u>\$58,027</u>	<u>\$365,140</u>

Amounts reported for Governmental Funds Balance Sheet are different because:

Balance per above		\$364,369
Add Capital Assets	136,012	
Less Long Term Debt	0	
Balance per Governmental Funds Balance Sheet		<u>\$500,381</u>

STRONACH TOWNSHIP
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes and Penalties	\$69,828	\$35,907	\$105,735
Licenses and Permits	1,461		1,461
Federal Grants			0
State Grants	54,887		54,887
Charges for Services	12	10,724	10,736
Fees	194,093		194,093
Interest and Rentals	21,232	736	21,968
Other Revenue	7,479	10,270	17,749
Total Revenues	348,992	57,637	406,629
Expenditures			
Current			
Legislative	100,380		100,380
General Government	100,333		100,333
Public Safety	26,485	65,765	92,250
Public Works	224,865	36,780	261,644
Health and Welfare			0
Recreation and Cultural	15,826		15,826
Other	0		0
Capital Outlay			0
Debt Service	0		0
Total Expenditures	467,888	102,545	570,433
Excess of Revenues Over (Under) Expenditures	(118,896)	(44,908)	(163,804)
Other Financing Sources (Uses)			
Transfers In	0	0	0
Transfers (Out)	0	0	0
Bond Proceeds	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(118,896)	(44,908)	(163,804)
Fund Balance July 1, 2004	425,237	102,936	528,173
Fund Balance June 30, 2005	\$306,341	\$58,028	\$364,369

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Governmental Funds		(\$163,804)
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimate useful lives as depreciation.	\$5,588	
Repayment of bond interest is an expenditure in governmental funds, but not in the statement of activities.	0	
Changes in compensated absences are recorded when earned.	0	
Change in Net Assets of Governmental Activities		(\$169,392)

STRONACH TOWNSHIP-MANISTEE COUNTY

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Stronach Township is a general law township located in Manistee County. The Township is a governed by an elected five member Board. The Township provides the community with fire protection, road maintenance, garbage collection, street lighting, a cemetery and other services.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township for financial support. Control or dependence is based on such items as budgetary control, taxing authority, appointment of controlling or governing boards, and other criteria as outlined in GASB Statement #14.

No other organizations or governmental entities are considered in this report using these definitions.

B. Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial statements of the Township are presented in a series of self balancing funds and account groups. The account groups include all fixed assets and all long term debt.

The accounting policies of Stronach Township conform to generally accepted accounting principles and include the following fund types:

1. Government Fund Types use modified accrual basis and include -

The general funds account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of fund.

2. Fiduciary fund types include -

The Trust and Agency Fund is unbudgeted and accounts for activities within those areas wherein the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

C. GASB 34

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, as amended*, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

D. Basis of Accounting

All governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those which are reasonable to accrue. These are recorded as receivable when measurable and as revenue accrued. Specific types of tax revenue are reported as deferred revenue which have are expected to be collected within sixty days. Other delinquent revenue not expected to be recovered within 60 days are reported only in the footnotes. Expenditures are recorded when the liability is incurred, except for interest on long term debt which is recorded as payments are made with an adjustment to account for accrued interest at year end.

E. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by the current reporting standards of measurement focus. Thus all governmental funds are accounted for on a financial flow measurement basis. This means that only current assets and liabilities are presented on the Balance Sheets and operating statements measure increases and decreases in these net current assets.

F. Budgets

All funds are under formal budgetary control. Budgets shown in the financial statements are prepared on a modified accrual basis and consist of those amounts which are controlled during the formal budget approved and amended by the Township Board. Line items contained within the original budget are appropriated and amended only on an activity departmental basis.

G. Fixed Assets

All fixed assets are recorded in the fixed assets group of accounts. This includes all assets which are considered of value to the Township and do not include public domain assets such as roads, sidewalks and drains. The modified accrual basis makes no provision for the depreciation of these assets. These assets are valued at historical cost when purchased or Fair Market Value as of the date they have been donated to the Township.

H. Long Term Debt

The Township currently has no outstanding debt.

I. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 31. Real property taxes are collected by the Township Treasurer through February 28th of each year. Any uncollected real property taxes are returned to be collected by the County Treasurer. Personal property taxes continue to be collected by the Township Treasurer.

The millage for the current year is:

Township Operating	1.5000	Admin Fee	1.000
Fire Operating	0.5000		
Garbage Service	<u>0.5000</u>		
Total	2.5000		

J. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principals requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - BUDGET APPROPRIATIONS

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Information on budget categories has been included for information only. The budget appropriation is for department only and hence is the legal controlling amount.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Stronach Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality the United States.

2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.

4. In United States government or federal agency obligation repurchase agreements.

5. In bankers' acceptances of United States banks.

6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTE 4 - TYPES OF DEPOSITS AND INVESTMENTS

The Township had \$215,977 in certificates of deposit with local banks, of which \$100,000 is insured. This would leave balances of cash as follows:

Deposits	Bank Balance	Carrying Value
Insured & Uncollateralized	\$100,000	\$100,000
Uninsured & Uncollateralized	\$ 49,426	\$ 49,163
Total	\$149,426	\$149,163

NOTE 5 - INTERFUND ACCOUNTS

There were no inter-fund loans or advances during the audit year. The only inter-fund activity was the transfer from the trust and agency fund due to tax collections and the interest accumulated which is due to the general fund.

NOTE 6 - FIXED ASSETS

Stronach Township maintains a fixed asset group of accounts. Detailed information concerning these accounts is as follows:

	07/01/04 Balance	Additions	Deletions	06/30/05 Balance
Land & Improvements	\$339,824	\$ 0	\$ 0	\$ 339,824
Buildings	223,500	0	0	223,500
Equipment	<u>249,495</u>	<u>0</u>	<u>0</u>	<u>249,495</u>
Total Fixed Assets	\$ 812,819	0	0	812,819

The depreciation lives are 7 years for the equipment and 40 years for the building. The land is not depreciated.

NOTE 7 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities on the part of the Township.

NOTE 8 - TOTAL COLUMN ON COMBINED STATEMENTS

The total column on the combined statements overview is captioned "Memo Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 9 - COMPENSATED ABSENCES

The Township does not compensate for vacation or sick and as such there is no computed liability for compensated absences. The Township does not have a liability for post retirement benefits.

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including worker compensation and accident insurance.

NOTE 11 - PENSION-RETIREMENT PROVISION

Effective January 1, 1970, the Township adopted the Manulife Defined Contribution Pension Plan. All of the Township's elected officials are eligible for coverage under the policy upon reaching 18 years of age, but not more than 75 years of age.

Contributions to the plan are based on the basic annual rate of compensation in effect at the beginning of the plan year. The Township will pay 75% of the annual contribution with the employee required to pay the remaining 25%. The employees may make voluntary non-deductible contributions up to 10% of compensation. Contributions shall be according to the following schedule:

<u>Annual Compensation</u>	<u>Annual Contribution</u>
Less than \$500	\$ 100
500 to 999	\$ 200
1,000 to 1,499	\$ 300
1,500 or more	\$ 400

Vesting will be 100% upon death, total disability or normal retirement. For early retirement or termination of service, benefits vest after 10 months of participation in the plan. The normal retirement date is age 65 or, if later, on the 10th anniversary of the employee's entry date. Early retirement is permitted any time after attainment of age 65. A participant may postpone his/her retirement until age 80.

The Township's pension contribution for the fiscal year ended June 30, 2005 was \$2,500 which equals 10.6 % of the total current year covered salaries of \$23,540 and 4.49% of the total payroll for the Township which was \$55,723.

The employees contributed \$870 to the plan during the year for their required 25%.

NOTE 12- ECONOMIC DEPENDENCE

During the 2004-2005 fiscal year, the township received \$194,093 of revenue from landfill royalties. This amount equaled to 56% of the revenue for the year. The landfill royalties received are according to the provisions of the Third Addendum to Landfill Agreement, dated May 3, 1973, which was executed on December 31, 1998. In the addendum, the township transferred title to forty acres of township property to Harland Sanitary Landfill, Inc. in return for royalty payments for a minimum period of five years.

SUPPLEMENTAL DATA SECTION

WILSON, WARD CPA

P.O. Box 205
3015 M-137
Interlochen, MI 49643

(231) 276-7668

Fax: (231) 276-7687

E-mail: wilson@wilsonward.com

To the Township Board
Stronach Township, MI

We have audited the combined financial statements of Stronach Township for the year ended June 30, 2005. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Wilson Ward CPA Firm

Interlochen, MI
August 16, 2005

General Fund

**Stronach Township
Balance Sheet
General Fund**

As Of June 30, 2005

<u>Assets</u>	
Cash In Bank and Investments	\$307,113
Accounts Receivable	0
Taxes Receivable	0
Due From Other Agencies	0
Due From Other Funds	0
Total Assets	<u>\$307,113</u>
<u>Liabilities and Fund Balance</u>	
Liabilities	
Accounts Payable	\$771
Accrued Salaries & Wages	0
Deferred Revenue	0
Due To Other Funds	0
Compensated Absences	0
Total Liabilities	<u>771</u>
Fund Balance	
Reserved for Equipment Replacement	0
Unreserved	<u>306,341</u>
Total Fund Balance	<u>306,341</u>
Total Liabilities and Fund Balance	<u>\$307,113</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget Vs Actual
General Fund
For the Year Ended June 30, 2005

Revenue	Budget Beginning July 01, 2004	Budget Year Ended June 30, 2005	Actual Year Ended June 30, 2005	Variance Favorable (Unfavorable)
Current Property Taxes	\$47,945	\$47,945	\$53,373	\$5,428
Delinquent Tax	1,800	1,800	2,979	1,179
Penalties on Taxes	0	0	0	0
Admin Fees	13,258	13,258	13,477	219
Licenses and Permits	1,029	1,029	1,461	433
State Shared Revenues	48,389	48,389	54,887	6,498
Use Fees	0	0	0	0
Charge for Services	0	0	12	12
Earned Interest	4,735	4,735	11,332	6,597
Rents and Royalties	9,920	9,920	9,900	(20)
Landfill Fees	190,000	190,000	194,093	4,093
Reimbursements	0	0	6	6
Misc	14,100	14,100	7,473	(6,627)
Total Revenues	331,176	331,176	348,992	17,816

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget Vs Actual
General Fund
For the Year Ended June 30, 2005

Expenditure

Legislative				
Township Board	22,000	102,000	100,380	1,620
General Government:				
Township Supervisor	\$13,000	\$13,000	\$9,802	\$3,198
Elections	4,000	4,000	3,691	309
Professional	3,600	3,600	0	309
Assessor	15,000	15,000	14,828	172
Clerk	18,000	18,000	15,640	2,532
Board of Review	\$1,400	\$1,400	\$851	\$549
Total Treasurer	14,500	14,500	13,762	738
Total Township Hall	80,000	80,000	41,759	38,241
Total General Government	\$149,500	\$149,500	\$100,333	\$46,220
Planning and Zoning	0	0	0	0
Planning & Zoning Admin	55,000	55,000	26,097	28,903
Public Works:				
Roads	211,000	211,000	198,646	12,354
Sanitation	35,000	0	0	0
Parks and Recreation	50,000	50,000	22,085	27,915
Street Lights	6,500	6,500	3,357	3,143
Cemetery	10,000	10,000	777	9,223
Total Public Works	312,500	277,500	224,865	52,635
Zoning Board of Appeals	2,000	2,000	388	1,612
Other Expenses:				
Chargebacks	0	16,000	15,826	174
Employee Benefits	0	0	0	0
Library	0	0	0	0
Contingency	0	0	0	0
Total Other Expenditures	0	16,000	15,826	174
Total Expenditures	541,000	602,000	467,888	102,262
OTHER FINANCING SOURCES				
Operating Transfers In(Out)			0	
Excess Revenue & Other Financing Uses Over (Under) Expenditures			(118,896)	
Fund Balance - Beginning of Year			425,237	
Fund Balance - End of Year			<u>\$306,341</u>	

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Special Revenue Funds

**Stronach Township
Combining Balance Sheet
Special Revenue Funds**

As Of June 30, 2005

	Fire Fund	Building Inspector Fund	Waste Collection Fund	Total
Assets				
Cash in Bank	\$9,523	\$3,972	\$44,532	\$58,027
Certificate of Deposit	0		0	0
Taxes Receivable	0	0		0
Due From GF		0	0	0
Total Assets	9,523	3,972	44,532	58,027
Liabilities and Fund Balance				
Liabilities				
Accounts Payable	0	0	0	0
Due to General Fund	0			0
Total Liabilities	0	0	0	0
Fund Balance				
Reserved for Equipment Replacement	0			0
Unreserved	9,523	3,972	44,532	58,028
Total Fund Balance	9,523	3,972	44,532	58,028
Total Liabilities and Fund Balance	\$9,523	\$3,972	\$44,532	\$58,027

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Stronach Township
Combining Statement of Revenues, Expenditures & Changes in Fund Balance
Special Revenue Funds

For The Year Ended June 30, 2005

	Fire Fund	Building Inspector Fund	Waste Collection Fund	Total
Revenues				
Property Taxes	\$17,018		\$17,954	\$34,971
Delinquent Property Taxes	936			936
Charges For Services		10,724		10,724
Interest	368	0	368	736
Grants	5,976			5,976
Miscellaneous	4,295		0	4,295
Total Revenue	<u>28,592</u>	<u>10,724</u>	<u>18,322</u>	<u>57,637</u>
Expenditures				
Public Welfare	65,765	11,815	24,965	102,545
Miscellaneous				0
Total Expenditures	<u>65,765</u>	<u>11,815</u>	<u>24,965</u>	<u>102,545</u>
Excess Revenue (Expenditures)	(37,174)	(1,091)	(6,644)	(44,908)
Transfer In (Out)	0	0	0	0
Fund Balance - Beginning of Year	<u>46,697</u>	<u>5,063</u>	<u>51,176</u>	<u>102,936</u>
Fund Balance - End of Year	<u>\$9,523</u>	<u>\$3,972</u>	<u>\$44,532</u>	<u>\$58,028</u>

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS